
Bayer 3Q13 Quick Take - Contour sales of €176 million down 7% as reported and 4% operationally; Glucobay revenue down 16% as reported and 13% operationally - November 2, 2013**Executive Highlights**

- Contour (Bayer's leading blood glucose monitor [BGM] franchise) revenue totaled €176 million (~\$189 million), down 7% as reported and 4% operationally year-over-year.
- Glucobay, Bayer's alpha-glucosidase inhibitor, sales totaled €102 million (~\$109 million), down 16% as reported and 13% operationally from 3Q12.

Bayer CEO Marijn Dekkers led Bayer's 3Q13 financial update. Contour (Bayer's leading blood glucose monitor [BGM] franchise) revenue totaled €176 million (~\$189 million) in 3Q13, down 7% as reported and 4% operationally year-over-year (YOY) on a challenging comparison (Contour revenue increase 19% as reported in 3Q12). Sequentially, Contour sales fell 11%, which is not too surprising since Bayer launched the Contour Next meter in the US in 2Q13 and so faced a tough comparison there as well. As a reminder, Bayer does not breakout overall Diabetes Care from Medical Care, making it challenging to make good estimates. We roughly estimate that Bayer's Diabetes Care totaled €233-256 million (~\$250-275 million), declining between 7% and 11%. To offer some context, we assumed that that overall Diabetes Care sales would decline more than pure Contour sales, placing the 7% drop in Contour revenue as the upper limit. Our lower limit was defined by J&J's 11% worldwide Diabetes Care revenue decline since that is the steepest drop in sales we have seen for a BGM company in 3Q13. To estimate 3Q13 revenue, we applied these guidelines to our estimated 3Q12 revenue. During the call, management remarked that its Diabetes Care business was "hampered" by reimbursement pressure and price decline, and, during Q&A, Bayer additionally noted the impact of US reimbursement pressures on all of US Medical Care (of which Diabetes Care is a part). We can't help but assume the US reimbursement pressure refers to CMS' competitive bidding since all of the Big Four (and many other companies) have felt its force in 3Q13. Diabetes Care was not mentioned at any other time during the call, and there was no device pipeline update.

Bayer is the last of the Big Four blood glucose monitoring (BGM) companies to report 3Q13 financial results. Worldwide Diabetes Care revenue results have Bayer coming in last behind [J&J](#) (\$557 million), [Roche](#) (~\$618 million) and [Abbott](#) (\$319 million) - in this group, no one was a winner in 2Q13 in the US in particular: [Roche](#) US Diabetes Care fell 10% and [Abbott](#) US Diabetes Care revenue declined 9%; and [J&J](#) was hit even harder, dropping a marked 28% in US Diabetes Care in 3Q13. Each of these companies cited competitive bidding and pricing pressures as a hurdle for its Diabetes Care segment.

Turning to Bayer's pharmaceutical segment, revenue from Bayer's alpha-glucosidase inhibitor Glucobay (acarbose) totaled €102 million (~\$109 million) in 3Q13, down 16% as reported and 13% operationally from 3Q12. Management attributed some of the decline to weaker demand in Asia Pacific. Although this is the steepest decline since we began reporting Glucobay YOY performance in 3Q10, the comparison was extremely challenging, with sales growing 39% YOY as reported in 3Q12. Despite this decline, Glucobay still made Bayer's list of best-selling pharmaceuticals products. Management provided no update on its timeline for diabetic macular edema (DME) approval for Eylea; a reminder, in 2Q13 Eylea received CHMP recommendation for approval for the treatment of DME in Europe.

--by Hannah Martin and Kelly Close